PUBLIC LAW 99-205—DEC. 23, 1985

FARM CREDIT AMENDMENTS ACT OF 1985

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Public Law 99-205
99th Congress

An Act

Dec. 23, 1985
[S. 1884]

To amend the Farm Credit Act of 1971, to restructure and reform the Farm Credit System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Amendments Act of 1985".

Farm Credit Amendments Act of 1985.
Banks and banking.
Loans.
12 U.S.C 2001 note.

TITLE I—PROVISIONS TO STRENGTHEN THE OPERATION OF FARM CREDIT SYSTEM LENDING INSTITUTIONS

CAPITAL AND FINANCING

SEC. 101. Part A of title IV of the Farm Credit Act of 1971 is amended by—

12 USC 2151.

(1) amending section 4.0 to read as follows:

"SEC. 4.0. REVOLVING FUNDS; INVESTMENTS.—The revolving fund established by Public Law 87-343, 75 Stat. 758, as amended, and the revolving fund established by Public Law 87-494, 76 Stat. 109, as amended, and continued by Public Law 96-592, shall be merged and shall be available to the Farm Credit Administration for the purchase, on behalf of the United States, of capital stock of the Capital Corporation. The Farm Credit Administration may make such purchases of stock as the Farm Credit Administration determines, in its discretion, are necessary to achieve the purposes of this Act.";

12 USC 1131.
12 USC 1141d.
12 USC 2001 note.

(2) striking out section 4.1;

12 USC 2154.

(3) in section 4.3—

(A) redesignating subsection (b) as subsection (c); and

(B) by striking out the matter preceding subsection (b) and inserting in lieu thereof the following:

"SEC. 4.3. CAPITAL ADEQUACY OF BANKS AND ASSOCIATIONS.—(a) The Farm Credit Administration shall cause System institutions to achieve and maintain adequate capital by establishing minimum levels of capital for such System institutions and by using such other methods as the Farm Credit Administration deems appropriate. The Farm Credit Administration may establish such minimum level of capital for a System institution as the Farm Credit Administration, in its discretion, deems to be necessary or appropriate in light of the particular circumstances of the System institution.

"(b)(1) Failure of a System institution to maintain capital at or above its minimum level as established under subsection (a) may be deemed by the Farm Credit Administration, in its discretion, to constitute an unsafe and unsound practice within the meaning of this Act.

"(2)(A) In addition to, or in lieu of, any other action authorized by law, including paragraph (1), the Farm Credit Administration may issue a directive to a System institution that fails to maintain capital at or above its required level as established under subsection (a). Such directive may require the System institution to submit and adhere to a plan acceptable to the Farm Credit Administration

describing the means and timing by which the System institution shall achieve its required capital level, but may not require merger or consolidation without a majority vote of the voting stockholders or the contributors to the guaranty fund of the institution.

"(B) Any directive issued under this paragraph, including plans submitted pursuant thereto, shall be enforceable under the provisions of section 5.31 of this Act to the same extent as an effective and outstanding order issued under section 5.25 of this Act that has become final. *Post*, p. 1700. *Post*, p. 1694.

"(3) The Farm Credit Administration may consider such System institution's progress in adhering to any plan required under paragraph (2) whenever such System institution, or an affiliate thereof, seeks the requisite approval of the Farm Credit Administration for any proposal that would divert earnings, diminish capital, or otherwise impede such System institution's progress in achieving its minimum capital level. The Farm Credit Administration may deny such approval where it determines that such proposal would adversely affect the ability of the System institution to comply with such plan."; and

(4) in section 4.4— 12 USC 2155.

(A) redesignating subsection (c) as subsection (d); and

(B) inserting, after subsection (b), the following:

"(c) For purposes of this part, the term 'bank' shall include the Capital Corporation.".

APPOINTMENT OF CONSERVATOR OR RECEIVER

SEC. 102. Section 4.12 of the Farm Credit Act of 1971 is amended by striking out subsection (b) and inserting in lieu thereof the following: 12 USC 2183.

"(b) The Farm Credit Administration may appoint a conservator or receiver for any System institution on the determination by the Farm Credit Administration that one or more of the following exists, or is occurring, with respect to the institution: (1) insolvency, in that the assets of the institution are less than its obligations to its creditors and others, including its members; (2) substantial dissipation of assets or earnings due to any violation of law, rules, or regulations, or to any unsafe or unsound practice; (3) an unsafe or unsound condition to transact business; (4) willful violation of a cease and desist order that has become final; (5) concealment of books, papers, records, or assets of the institution or refusal to submit books, papers, records, or other material relating to the affairs of the institution for inspection to any examiner or to any lawful agent of the Farm Credit Administration. The Farm Credit Administration shall have exclusive power and jurisdiction to appoint a conservator or receiver. If the Farm Credit Administration determines that a ground for the appointment of a conservator or receiver as herein provided exists, the Farm Credit Administration may appoint ex parte and without notice a conservator or receiver for the institution. In the event of such appointment, the institution, within thirty days thereafter, may bring an action in the United States district court for the judicial district in which the home office of such institution is located, or in the United States District Court for the District of Columbia, for an order requiring the Farm Credit Administration to remove such conservator or receiver, and the court, shall on the merits, dismiss such action or direct the Farm Credit Administration to remove such conservator or receiver. On

the commencement of such an action, the court having jurisdiction of any other action or enforcement proceeding authorized under this Act to which the institution is a party shall stay such action or proceeding during the pendency of the action for removal of the conservator or receiver.".

FARM CREDIT SYSTEM CAPITAL CORPORATION

SEC. 103. Title IV of the Farm Credit Act of 1971 is amended by inserting, after section 4.28, the following:

"PART D1—FARM CREDIT SYSTEM CAPITAL CORPORATION

12 USC 2216.

"SEC. 4.28A. EXISTENCE OF CORPORATION.—The Farm Credit Administration, not later than 60 days after enactment of the Farm Credit Amendments Act of 1985, shall (1) charter the Farm Credit System Capital Corporation (referred to in this Act as 'the Capital Corporation'), which, subject to the provisions of this part and the regulations of the Farm Credit Administration, shall be a federally chartered instrumentality of the United States and an institution of the Farm Credit System, and (2) revoke the charter for the Farm Credit System Capital Corporation issued under part D of this title. The charter issued to the Farm Credit System Capital Corporation pursuant to this paragraph shall be reviewed on December 31, 1987. The Farm Credit Administration Board shall submit to Congress by December 31, 1987, a report and analysis of the Capital Corporation together with any recommendations for legislation to extend the charter of the Farm Credit System Capital Corporation.

Ante, p. 1678.

12 USC 2211.

Report.

12 USC 2216a.

"SEC. 4.28B. PURPOSES.—For the sole purpose of carrying out a program of financial and technical assistance to institutions within the Farm Credit System (and their borrowers) which are experiencing financial difficulties, the Capital Corporation shall, in accordance with this part—

"(1) carry out a program of financial assistance among institutions of the Farm Credit System;

"(2) acquire from other Farm Credit System institutions and participate with such institutions in nonperforming assets of such institutions;

"(3) hold, restructure, collect, and otherwise administer nonperforming assets acquired from or participated in with other Farm Credit System institutions, and guarantee performing and nonperforming assets held by other Farm Credit institutions;

"(4) provide technical assistance and related services to other Farm Credit System institutions in connection with the administration of their loan portfolios;

"(5) provide assistance and related services to Farm Credit System institutions to assist them in restructuring or refinancing loans of their member-borrowers; and

"(6) receive and administer financial assistance for Farm Credit System institutions that originates outside of the Farm Credit System.

12 USC 2216b.

"SEC. 4.28C. BOARD OF DIRECTORS OF THE CAPITAL CORPORATION.—(a)(1) The Board of Directors of the Capital Corporation shall consist of five members, of which—

"(A)(i) three members shall be elected by the farm credit banks that own the voting stock in the Corporation, with—

"(I) one such member being elected from an institution and a district that, at the time of such election, is or is projected to be a net contributor of capital to the Corporation;

"(II) one such member being elected from an institution and a district that, at the time of such election, is or is projected to be a net recipient of capital (other than through the sale of loans or other assets at fair market value) from the Corporation; and

"(III) one such member being elected without regard to the restrictions in clause (i) and (ii).

"(ii) Each such bank shall have the right to cast one vote to fill each such vacancy without regard to the number of voting shares owned by such bank.

"(B) two members shall be appointed by the Chairman of the Farm Credit Administration Board.

"(2) Members appointed by the Chairman under paragraph (1)(B) shall be selected from United States citizens—

"(A) who are not borrowers from, shareholders in, or employees or agents of any institution of the Farm Credit System; and

"(B) who are experienced in financial services and credit.

"(3) The Farm Credit Administration Board shall, in its sole discretion and for purposes of the election of directors to the Capital Corporation only, project whether—

"(A) institutions within a district are or will be a net contributor of capital to the Corporation, or

"(B) the institutions within a district are or are expected to become net recipients of capital from the Corporation.

"(4) The Farm Credit Administration Board shall issue regulations providing for fair and equitable representation of all public and private interests on the Board of Directors of the Capital Corporation. The bylaws of the Corporation shall prescribe the procedures, established pursuant to regulations issued by the Board, under which directors of the Corporation will be nominated and elected. Regulations.

"(5) Notwithstanding paragraph (1), in the event the Secretary of the Treasury purchases any obligation of the Farm Credit System Capital Corporation under section 4.28J, and for so long as such obligation remains outstanding, the Board of Directors of the Capital Corporation shall be expanded by two members, of which— *Post*, p. 1686.

"(A) one member shall be appointed by the Secretary of Agriculture; and

"(B) one member shall be selected by the other members of the Board of the Capital Corporation, including the appointee of the Secretary of Agriculture, which member shall not be a—

"(i) borrower from, shareholder in, or employee or agent of any institution of the Farm Credit System; or

"(ii) a government employee.

"(b) Members of the Board of Directors shall serve two-year terms, except that, of the members first elected or appointed to the Board of Directors, one elected member and one appointed member shall serve initial terms of one year.

"(c) The Board of Directors shall elect, on an annual basis, a Chairman from among the members of the Board.

"(d)(1) Members of the Board may succeed themselves and may serve until their successors are duly seated.

"(2) Vacancies on the Board shall be filled in the same manner as the vacant position was previously filled.

12 USC 2216c. "SEC. 4.28D. COMPENSATION OF BOARD MEMBERS.—Members of the board of directors of the Capital Corporation shall receive compensation, including reasonable allowances for necessary expenses, in attending meetings of the board. The compensation shall not be in excess of the level set by the Farm Credit Administration.

Records. "SEC. 4.28E. BOARD PROCEDURES.—The board of directors of the
12 USC 2216d. Capital Corporation shall adopt such rules as it may deem appropriate for the transaction of its business and shall keep permanent and accurate records and minutes of its acts and proceedings.

12 USC 2216e. "SEC. 4.28F. CHIEF EXECUTIVE OFFICER OF THE CORPORATION.—The chief executive officer of the Capital Corporation shall be selected by the board of directors of the Capital Corporation, subject to the approval of the Farm Credit Administration, and shall serve at the pleasure of the board.

12 USC 2216f. "SEC. 4.28G. GENERAL CORPORATE POWERS.—(a) The Capital Corporation shall be a body corporate and, subject to regulation by the Farm Credit Administration, shall have the power to—

"(1) operate under the direction of its board of directors;

"(2) adopt, alter, and use a corporate seal, which shall be judicially noted;

"(3) provide for one or more vice presidents, a secretary, a treasurer, and such other officers, employees, and agents, as may be necessary, define their duties, and require surety bonds or make other provisions against losses occasioned by acts of such persons;

Securities. "(4) prescribe by its board of directors its bylaws, not inconsistent with law, which shall provide for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired; the manner in which its officers, employees, and agents are selected; its property is acquired, held, and transferred; its loans, commitments, and other financial assistance are made; its general business is conducted; and the privileges granted by law are exercised and enjoyed;

Contracts. "(5) enter into contracts and make advance, progress, or other payments with respect to such contracts;

Contracts. "(6) contract with System institutions for local administration, servicing, and restructuring of loan and loan-related assets and management of acquired properties of the Corporation;

"(7) sue and be sued in its corporate name and complain and defend, in any court of competent jurisdiction, State or Federal;

Real property. Gifts and property. "(8) acquire, hold, lease, mortgage, or dispose of, at public or private sale, real and personal property, and guarantee, sell, or exchange any securities or obligations, and otherwise exercise all the usual incidents of ownership of property necessary and convenient to its business;

Securities. "(9) authorize, through its board of directors, the issuance and sale of obligations, including notes, bonds, debentures, capital notes, and voting or nonvoting securities, to the Secretary of the Treasury or the Farm Credit Administration, under such terms and conditions as shall be determined;

Insurance. "(10) obtain insurance against loss;

Contracts. "(11) modify or consent to modification with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or

agreement to which it is a party or in which it has an interest under this Act;

"(12) borrow from any commercial bank on its own individual responsibility on such terms and conditions as it may determine with the approval of the Farm Credit Administration;

"(13) join with Farm Credit System banks in the issuance of System-wide notes, bonds, debentures, and other similar obligations under section 4.2(d) of this Act, or assume liability with respect to outstanding System-wide obligations. If it satisfies the requirements applicable to banks under section 4.3(c) of this Act, it shall be jointly and severally liable with the System banks for the payment of principal and interest on such obligations, and pay on such obligations any sums as may be called on by the Farm Credit Administration to make payments of principal or interest that any bank or banks primarily liable therefor are unable to make; Securities. 12 USC 2153. *Ante*, p. 7678. Securities.

"(14) require other institutions of the Farm Credit System, through purchase of stock in, or obligations of, the Capital Corporation, to make funds available to the Capital Corporation to enable it to make financial assistance available to institutions of the Farm Credit System as provided in paragraph (15). The Capital Corporation may also assess at such times and under such circumstances as it deems appropriate, System Institutions for the purpose of covering its operating expenses not to include interest costs The guidelines to be used by the Capital Corporation in obtaining funds from other institutions of the Farm Credit System for the purpose of aggregating resources to assist System institutions, to the extent practicable, shall give priority to obtaining funds through the use of transactions that require the Capital Corporation, on reasonable terms, to repay the contributed funds from surpluses accumulated by the Capital Corporation, and otherwise shall be in conformity with regulations issued by the Farm Credit Administration; Securities.

"(15) administer financial assistance under regulations of the Farm Credit Administration which shall— Regulations.

"(A) include standards to ensure that, consistent with sound business practices and subject to the criteria established under subparagraph (B) of this paragraph, the available capital and reserves of System institutions are committed to providing financial assistance to those institutions of the Farm Credit System eligible therefor. The term 'available capital and reserves', as used in this subparagraph, shall not include capital stock, participation certificates and allocated equities held by borrowers that are not associations chartered under this Act; Securities.

"(B) establish criteria pursuant to which the Capital Corporation shall require other institutions of the Farm Credit System, through the purchase of stock in, or obligations of, the Capital Corporation to make funds available to the Capital Corporation under paragraph (14). Such criteria shall— Securities.

"(i) provide for an equitable sharing of the burden of such assessments or purchases, taking into account (I) the relative financial strength and ability to pay of the contributing institutions; (II) the effect, including the effect on loan interest rates, on current borrowers and

members of each System institution; and (III) the effect on lending rates of financial assistance already provided to other System institutions; and

"(ii) be designed to ensure that (I) the capital strength, earning capacity, loanable funds and overall financial viability of each System institution providing funds to the Capital Corporation are maintained at such a level that credit shall continue to be available to eligible borrowers on reasonable and competitive terms, (II) each bank shall continue to have access to funds in the public financial markets, and (III) each bank is able to maintain adequate financial resources to satisfy its liability on its own obligations and on that portion of systemwide notes, bonds, debentures, or other obligations for which it is primarily liable; and

"(C) establish criteria to be used in determining eligibility of System institutions for financial assistance from the Capital Corporation and the types and amounts of financial assistance that can be obtained from the Corporation. Such regulations shall provide that an institution shall be eligible to receive financial assistance when its financial condition has deteriorated to a point where its continued operation is jeopardized and the provision of such financial assistance is necessary to ensure that farm credit services will continue to be available to borrowers in the institution's territory;

"(16) purchase at fair market value from any other System institution, on the request of such institution, loans (or interests in loans) that have been placed in nonaccrual status and assets (or interests in assets) in the account for acquired properties;

"(17) require System institutions to sell to the Capital Corporation loans, assets, and interests described in paragraph (16) as a condition to receiving financial assistance from the Capital Corporation;

"(18) exercise all the rights and privileges of any System institution with respect to any loan which it has acquired or in which it has participated, including the adjustment of interest rates, compromise of indebtedness, waiver of default, and other such rights and privileges;

"(19) assume debt or other liabilities from System institutions in connection with the acquisition of loans or interests therein or other assets from such institutions;

"(20) refinance, reamortize, guarantee, or compromise indebtedness, and otherwise provide debt adjustment assistance, with respect to any loan to a borrower of a System institution purchased under paragraph (16) or participated in by the Capital Corporation, and, after a determination by the Capital Corporation that the borrower could not reasonably be anticipated to meet loan servicing charges under a refinanced, reamortized, or otherwise restructured loan under reasonable terms and conditions acceptable to the Capital Corporation, liquidate any such loan;

"(21) purchase from associations undergoing liquidation all assets which are performing loans not voluntarily purchased by other associations;

"(22) adopt a salary scale for officers and employees of the Capital Corporation, in accordance with the directives of the board of directors; and

"(23) deposit its securities and its current funds with any member of the Federal Reserve System or any insured State nonmember bank as defined in section 2 of the Federal Deposit Insurance Act and pay fees therefor and receive interest thereon as may be agreed. Securities. 12 USC 1813.

The Capital Corporation shall have such other incidental powers as are necessary to carry out its powers, duties, and functions in accordance with this Act.

"(b) The powers of the Capital Corporation set forth in subsection (a) of this section, to the extent they authorize the financial assistance of any type to borrowers and System institutions, shall be limited after December 31, 1990, as provided in this subsection. The powers of the Capital Corporation to directly or indirectly increase the level of such financial assistance to a borrower or institution or to provide directly or indirectly any such financial assistance to a borrower or institution not receiving such assistance on December 31, 1990, shall terminate on that date. All other powers, including those necessary for management and orderly liquidation of commitments made and obligations incurred in providing such assistance to borrowers and institutions on or before December 31, 1990, shall remain in effect thereafter. Termination.

"(c) Officers or employees of the Capital Corporation, like other Farm Credit System employees, shall not be considered officers or employees of the Federal Government. Funds held by the Capital Corporation shall not be construed to be Government funds or appropriated moneys.

"SEC. 4.28H. SUCCESSION OF THE CORPORATION.—On the issuance by the Farm Credit Administration of the new charter for the Capital Corporation under this part, the Capital Corporation shall succeed to the assets of and be liable for and assume all debts, obligations, contracts, and other liabilities of the Farm Credit System Capital Corporation chartered under part D of this title (referred to in this section as 'the predecessor corporation'), matured or unmatured, accrued, absolute, contingent or otherwise, and whether or not reflected or reserved against on balance sheets, books of account, or records of the predecessor corporation. The stock of the predecessor corporation shall be converted into stock of the Capital Corporation. The existing contractual obligations, security instruments, and title instruments of the predecessor corporation shall, by operation of law and without any further action by the Farm Credit Administration, the predecessor corporation, or any court, become and be converted into obligations, entitlements, and instruments of the Capital Corporation chartered under this part. To the extent that, on the extinguishing of liabilities assumed by the Capital Corporation under this section, and full performance or other final disposition of contract obligations under contracts assumed by the Capital Corporation under this section, there remain surplus funds attributable to such obligations or contracts, the Capital Corporation shall distribute such surplus funds among the System institutions that contributed funds to the predecessor corporation on the basis of the relative amount of funds so contributed by each institution. 12 USC 2211. Securities. Contracts.

"SEC. 4.28I. LIMITATION OF POWERS.—(a) The powers of the Capital Corporation under this part shall be exercised only for the purposes

specified in this part and shall not be exercised in a manner that would result in the Capital Corporation supplanting the Farm Credit System institutions operating under titles I through III of this Act as the primary providers of credit and other financial services to farmers, ranchers, and their cooperatives.

Ante, p. 1678; *Post*, p. 1707.

Real property.

"(b) Sales by the Capital Corporation of real property formerly securing a liquidated loan shall be conducted pursuant to guidelines adopted by the Capital Corporation that are compatible with the following criteria:

"(1) Notice of pending sales shall be made public.

"(2) Previous owners shall be advised of the pending sale and shall not be precluded from purchasing their former property.

"(3) The sale of real property acquired by the Corporation in large tracts shall be discouraged.

Securities.
12 USC 2216i.

"SEC. 4.28J. AUTHORITY OF THE SECRETARY OF THE TREASURY.—(a) On certification by the Farm Credit Administration that (1) the Farm Credit System is in need of financial assistance to address financial stress of System institutions, (2) the System has committed its available capital surplus and reserves to address such financial stress of System institutions, (3) the salaries and benefits of the senior executive officers of System institutions (except associations) will be frozen, such freeze to remain in effect until the earlier of five years after the freeze begins or such time as the Secretary no longer holds any obligations issued by the Capital Corporation, and (4) the System has used such capital surplus and reserves to the extent that further contributions from, or losses incurred by, System institutions likely will preclude such institutions from making credit available to eligible borrowers on reasonable terms, the Secretary of the Treasury, in the Secretary's discretion, may purchase any obligations issued by the Capital Corporation under this part, as heretofore, now, or hereafter in force; and for such purpose the Secretary of the Treasury may use as a public-debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include such purchases. The authorities provided to the Secretary of the Treasury by the preceding sentence shall be effective for any fiscal year only to such extent or in such amounts as provided in advance in appropriation Acts. The Secretary of the Treasury, at any time, may sell, on such terms and conditions and at such price or prices as the Secretary shall determine, any of the obligations acquired by the Secretary under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this section shall be treated as public-debt transactions of the United States. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be on terms and conditions as shall be determined by the Secretary of the Treasury, taking into consideration the objectives that System institutions retain the ability to make credit available to eligible borrowers on reasonable terms and that banks of the System continue to have access to funds in the public financial markets.

31 USC 774.

"(b) The Farm Credit Administration promptly shall submit a copy of any certification made under subsection (a) to Congress, and the Secretary of the Treasury shall, not later than forty-five days after such certification is made, make known to the Congress and the Farm Credit Administration the Secretary's decision as to

exercising the authority under subsection (a) and the reasons and documentation therefor, if that decision is not to purchase obligations of the Capital Corporation.

"SEC. 4.28K. INITIAL CAPITALIZATION.—The Farm Credit Administration shall provide for the initial capitalization of the Capital Corporation by requiring, in accordance with section 4.28G, institutions of the System to contribute capital to the Capital Corporation in such amounts and under such terms and conditions as the Farm Credit Administration, in consultation with System institutions, may prescribe. 12 USC 2216j.

Ante, p. 1682.

"SEC. 4.28L. TAX STATUS OF CONSOLIDATED OBLIGATIONS.—Consolidated notes, bonds, debentures, or other obligations, the issuance of which is joined in by the Capital Corporation pursuant to paragraph (13) of section 4.28G, shall have the same tax status as provided by this Act with respect to such obligations issued by the banks.". Securities. 12 USC 2216k.

CONFORMING AMENDMENT

SEC. 104. Title IV of the Farm Credit Act of 1971 is further amended by inserting before section 4.2 the following:

"SEC. 4.1. REQUIREMENTS TO PURCHASE STOCK AND PAY ASSESSMENTS AND CONTRIBUTE CAPITAL TO CAPITAL CORPORATION.—The Federal land banks, the Federal intermediate credit banks, the banks for cooperatives, the Federal land bank associations, and the production credit associations shall purchase stock in, or obligations of, the Capital Corporation, pay assessments, make capital contributions, and take such other related actions as required by the Capital Corporation in the exercise of its powers under this Act. Any payment for retirement of stock so purchased, or repayment of obligations so purchased, by the Capital Corporation shall be distributed among all holders of such stock or obligations on the basis of the book value of the stock or obligations held by each such holder at the time of the distribution.". 12 USC 2152.

CENTRAL RESERVE

SEC. 105. Part A of title IV of the Farm Credit Act of 1971 (12 U.S.C. 2151 et seq.) is amended by inserting after section 4.9 the following:

"SEC. 4.9A. CENTRAL RESERVE FOR FARM CREDIT SYSTEM.—(a) The Farm Credit Administration may, effective January 1, 1991, establish and maintain a central reserve for the Farm Credit System. Effective date. Securities. 12 USC 2161.

"(b) Such central reserve shall be held in the form of Treasury securities and demand deposits.

"(c) The Farm Credit Administration may use the reserve to make temporary deposits and temporary investments in financially troubled banks or associations of the Farm Credit System.

"(d)(1) The Farm Credit Administration may order payments into such central reserve of one-tenth of 1 percent of the proceeds of each individual, consolidated, or System-wide note, bond, debenture, or other obligation issued by the Farm Credit System, or any part thereof, under this Act.

"(2) Such payments under paragraph (1) may be ordered during any period when such central reserve contains the unobligated sum the Farm Credit Administration deems inadequate to achieve the purposes of such central reserve, but not more than a sum equal to 3 percent of the total of loans outstanding on December 31 of the last

preceding calendar year from institutions in the Farm Credit System to persons other than other such institutions.

"(e) The Farm Credit Administration shall require a bank or association to repay in whole or in part a temporary deposit or retire in whole or in part a temporary investment, made in such bank or association under this section, at such time as in the opinion of the Farm Credit Administration such bank or association has resources available therefor and the need for such temporary deposit or temporary investment is reduced or no longer exists.

"(f) The Farm Credit Administration shall issue rules and regulations implementing this section.".

TITLE II—REGULATION OF THE FARM CREDIT SYSTEM

RESTRUCTURE OF THE FARM CREDIT ADMINISTRATION

SEC. 201. Part B of title V of the Farm Credit Act of 1971 is amended by—

(1) amending sections 5.7 through 5.12 to read as follows:

12 USC 2241.

"SEC. 5.7. THE FARM CREDIT ADMINISTRATION.—The Farm Credit Administration shall be an independent agency in the executive branch of the Government. It shall be composed of the Farm Credit Administration Board and such other personnel as are employed in carrying out the functions, powers, and duties vested in the Farm Credit Administration by this Act.

12 USC 2242.

"SEC. 5.8. THE FARM CREDIT ADMINISTRATION BOARD; APPOINTMENT; TERM OF OFFICE; ORGANIZATION AND COMPENSATION.—(a) The management of the Farm Credit Administration shall be vested in a Farm Credit Administration Board (referred to in this part as 'the Board'). The Board shall consist of three members, who shall be citizens of the United States and broadly representative of the public interest. Members of the Board shall be appointed by the President, by and with the advice and consent of the Senate. Not more than two members of the Board shall be members of the same political party. Of the persons thus appointed, one shall be designated by the President to serve as Chairman of the Board for the duration of the member's term. The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any institution of the Farm Credit System.

"(b) The term of office of each member of the Board shall be six years, except that the terms of the two members, other than the Chairman, first appointed under subsection (a) shall expire, one on the expiration of two years after the date of appointment, and one on the expiration of four years after the date of appointment. Members of the Board shall not be appointed to succeed themselves, except that the members first appointed under subsection (a) for a term of less than six years may be reappointed for a full six-year term and members appointed to fill unexpired terms of three years or less may be reappointed for a full six-year term. Any vacancy shall be filled for the unexpired term on like appointment. Any member of the Board shall continue to serve as such after the expiration of the member's term until a successor has been appointed and qualified.

"(c) Each member of the Board, within fifteen days after notice of appointment, shall subscribe to the oath of office. The Board may transact business if a vacancy exists, provided a quorum is present.

A quorum shall consist of two members of the Board. The Board shall hold at least one meeting each month and such additional meetings at such times and places as it may fix and determine. Such meetings shall be held on the call of the Chairman or any two Board members. The Board shall adopt such rules as it deems appropriate for the transaction of its business and shall keep permanent and accurate records and minutes of its acts and proceedings. Records.

"(d) The members of the Board shall devote their full time and attention to the business of the Board. The Chairman of the Board shall receive compensation at the rate prescribed for level III of the Executive Schedule under section 5314 of title 5 of the United States Code. Each of the other members of the Board shall receive compensation at the rate prescribed for level IV of the Executive Schedule under section 5315 of title 5 of the United States Code. Each member of the Board shall be reimbursed for necessary travel, subsistence, and other expenses in the discharge of the member's official duties without regard to other laws with respect to allowance for travel and subsistence of officers and employees of the United States. This subsection shall be subject to the provisions of section 5.11 of this Act. *Post*, p. 1690.

"SEC. 5.9. POWERS OF THE BOARD; CIVIL PROCEEDINGS.—The Board shall manage and administer, and establish policies for, the Farm Credit Administration. It— 12 USC 2243.

"(1) shall approve the rules and regulations for the implementation of this Act not inconsistent with its provisions;

"(2) shall provide for the examination of the condition of, and general regulation of the performance of the powers, functions, and duties vested in, each institution of the Farm Credit System;

"(3) shall provide for the performance of all the powers and duties vested in the Farm Credit Administration; and

"(4) may require such reports as it deems necessary from the institutions of the Farm Credit System.

"SEC. 5.10. CHAIRMAN; RESPONSIBILITIES; GOVERNING STANDARDS.—(a) The Chairman of the Board shall be the executive officer of the Board and the chief executive officer of the Farm Credit Administration. The Chairman shall be responsible for directing the implementation of the policies and regulations adopted by the Board and the execution of all of the administrative functions and duties of the Farm Credit Administration. The Chairman shall be the spokesman for the Board and the Farm Credit Administration and shall represent the Board and the Farm Credit Administration in their official relations within the Government. Under policies adopted by the Board, the Chairman shall consult on a regular basis with the Secretary of the Treasury in connection with the exercise by the System of the powers conferred under section 4.2 of this Act, with the Board of Governors of the Federal Reserve System in connection with the effect of System lending activities on national monetary policy, and with the Secretary of Agriculture in connection with the effect of System policies on farmers and the agricultural economy. 12 USC 2244. 12 USC 2153.

"(b) In carrying out responsibilities under this Act, the Chairman of the Board shall be governed by general policies adopted by the Board and by such regulatory decisions, findings, and determinations as the Board may by law be authorized to make and, as to third persons, all acts of the Chairman of the Board shall be conclusively presumed to be in compliance with such general policies and regulatory decisions, findings, and determinations.

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"(c) The Chairman of the Board shall enforce the rules, regulations, and orders of the Board. Except as provided in section 518 of title 28 of the United States Code, relating to litigation before the Supreme Court, attorneys designated by the Chairman shall represent the Farm Credit Administration in any civil proceeding or civil action brought in connection with the administration of conservatorships and receiverships. Attorneys designated by the Chairman may represent the Farm Credit Administration in any other civil proceedings or civil action when so authorized by the Attorney General under provisions of title 28.

12 USC 2245. "SEC. 5.11. ORGANIZATION OF THE FARM CREDIT ADMINISTRATION.—The Chairman of the Board, in carrying out the powers and duties now or hereafter vested in the Chairman by this Act and acts supplementary thereto, may establish and fix the powers and the duties of such divisions or other units as the Chairman may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties vested in the Board and the Farm Credit Administration. The Chairman of the Board shall appoint such personnel as may be necessary to carry out the functions of the Farm Credit Administration. Officers and employees of the Farm Credit Administration shall be subject to the

2 USC 701 note. Ethics in Government Act of 1978 and shall be considered officers or employees of the United States for the purposes of sections 201 through 203, and sections 205 through 209, of title 18 of the United States Code. Officers and employees of the Farm Credit Administration shall be subject to section 5373 of title 5 of the United States Code. The powers of the Chairman as chief executive officer of the Farm Credit Administration may be exercised and performed by the Chairman through such other officers and employees of the Farm Credit Administration as the Chairman shall designate. The operations of the Farm Credit Administration, and the salaries of members of the Board and employees of the Administration, shall be

Infra. funded and paid for from the fund created under section 5.15 of this Act.

12 USC 2246. "SEC. 5.12. ADVISORY COMMITTEES.—The Chairman of the Board may establish one or more advisory committees in accordance with the Federal Advisory Committee Act and may appoint to such committee or committees individuals who are members of the Federal Farm Credit Board when such Board is terminated by the Farm Credit Amendments Act of 1985.";

12 USC 2247. (2) striking out section 5.13;

12 USC 2248. (3) redesignating section 5.14 as section 5.13, and, in section 5.13, as so redesignated, striking out "Governor" and inserting in lieu thereof "Board";

12 USC 2249. (4) redesignating section 5.15 as section 5.14, and, in the second sentence of section 5.14, as so redesignated, striking out "section 5.16(b)" and "section 5.16(a)" and inserting in lieu thereof "section 5.15(b)" and "section 5.15(a)", respectively;

12 USC 2250. (5) redesignating section 5.16 as section 5.15;

12 USC 2251. (6) redesignating section 5.17 as section 5.16, and, in section 5.16, as so redesignated—

(A) striking out "section 5.15" in the first sentence and inserting in lieu thereof "section 5.14";

(B) striking out "Federal Farm Credit" in paragraph (2) of the first sentence; and

(C) striking out "section 5.16" and inserting in lieu thereof "section 5.15"; and

(7) redesignating section 5.18 as section 5.17 and amending subsection (a) thereof to read as follows: 12 USC 2252.

"(a) The Farm Credit Administration shall have the following powers, functions, and responsibilities in connection with the institutions of the Farm Credit System and the administration of this Act:

"(1) Modify the boundaries of farm credit districts, with due regard for the farm credit needs of the country, as approved by the Board, with the concurrence of the district boards involved.

"(2) Where necessary or appropriate to carry out the policy and objectives of this Act, issue and amend or modify Federal charters of institutions of the System; approve change in names of banks operating under this Act; approve the merger of districts when agreed to by the boards of the districts involved and by a majority vote of the voting stockholders and contributors to the guaranty funds of each bank for each of such districts, voting in the same manner as is provided in section 4.10 of this Act; approve mergers of banks operating under the same title of this Act, merger of Federal land bank associations, merger of production credit associations, and the consolidation or division of the territories that they serve when agreed to by a majority vote of the voting stockholders or contributors to the guaranty fund of each of the institutions involved; and approve consolidations of boards of directors or management agreements when agreed to by a majority vote of the voting stockholders or contributors to the guaranty fund of each of the institutions involved. In issuing charters and certificates of territory for district-wide mergers of associations where stockholders of one or more associations did not approve the merger, the charter of the new or merged association shall not include the territory of the disagreeing association or associations; charters issued during calendar year 1985 for district-wide new or merged associations which included the territory of a disagreeing association shall be revoked and reissued to exclude such territory, unless subsequently agreed to by the board of directors of such association or associations; and the Farm Credit Administration shall ensure that the board of directors of district banks does not discriminate against the disapproving associations in exercising its supervisory authorities. Such associations shall not be (i) charged any assessment under this Act at a rate higher than that charged other like associations in the district or (ii) discriminated against in the provision of any financial service and assistance (including, but not limited to, access to credit and rates of interest on loans and discounts) by a district Farm Credit bank to the association and its member-borrowers. The Chairman of the Farm Credit Administration Board, after consultation with the respective district board or boards and the board of directors of the Capital Corporation may require two or more banks of the Farm Credit System (other than Central Banks for Cooperatives) operating under the same title to merge if the Chairman determines that one of such banks has failed to meet outstanding obligations of such bank. Discrimination, prohibition. 12 USC 2181.

"(3) Make annual reports directly to Congress on the condition of the System and its institutions, based on the examinations carried out under section 5.19 of this Act, and on the manner and extent to which the purposes and objectives of this Act are being carried out and, from time to time, recommend Reports. *Post*, p. 1693.

Reports.

directly legislative changes. The annual reports shall include a summary and analysis of the reports submitted to the Farm Credit Administration by the Federal land banks and Federal intermediate credit banks under section 4.19(b) of this Act relating to programs for serving young, beginning, and small farmers and ranchers.

12 USC 2207.

"(4) Approve the issuance of obligations of the System under subsections (c) and (d) of section 4.2 of this Act for the purpose of funding the authorized operations of the institutions of the System, and prescribe collateral therefor.

12 USC 2153.

Regulations.

"(5) Grant approvals provided for under this Act either on a case-by-case basis or through regulations that confer approval on actions of Farm Credit System institutions that meet standards and criteria established by the Farm Credit Administration, including standards and criteria with respect to (A) interest rates on obligations of Farm Credit System institutions and on loans made or discounted by such institutions, and (B) the payment of dividends or patronage refunds by Farm Credit System institutions.

"(6) Establish standards for the System institutions with respect to loan security requirements and regulate the borrowing, repayment, and transfer of funds and equities between institutions of the System.

"(7) Conduct loan and collateral security review.

Securities.

"(8) Make investments in stock of the Capital Corporation out of the revolving fund referred to in section 4.0, and require the retirement of such stock.

Ante, p. 1678.

"(9) Regulate the preparation by System institutions and the dissemination to stockholders and investors of information on the financial condition and operations of such institutions.

"(10) Prescribe rules and regulations necessary or appropriate for carrying out this Act.

Safety.

"(11) Exercise the powers conferred on it under part C of this title for the purpose of ensuring the safety and soundness of System institutions.

Post, p. 1694.

"(12) Exercise such incidental powers as may be necessary or appropriate to fulfill its duties and carry out the purposes of this Act.

"(13) Sue and be sued, complain and defend in any court of law or equity, State or Federal. All suits of a civil nature at common law or in equity to which the Farm Credit Administration shall be a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction thereof, without regard to the amount of the controversy; and the Farm Credit Administration may, without bond or security, remove any such action, suit, or proceeding from a State court to the United States district court for the district or division embracing the place where the same is pending by following any procedure for removal now or hereafter in effect. Service of process on the Farm Credit Administration shall be in accordance with provisions of title 28 of the United States Code and rules adopted under title 28 for suits in which an agency of the United States is a party. The Farm Credit Administration shall designate an agent at its principal office to accept service of process.

"(14) Require surety bonds or other provisions for protection of the assets of the institutions of the System against losses occasioned by employees. Bonds.

"(15) Except for associations, approve the salary scale for employees of the institutions of the System, and approve the compensation of the chief executive officer of such institutions: *Provided,* That no salary scale or rate of compensation shall be approved under this provision unless determined to be fair and reasonable.".

DELEGATIONS

SEC. 202. (a) Section 5.19 of the Farm Credit Act of 1971 is repealed. Repeal. 12 USC 2253.

(b) Part B of title V of the Farm Credit Act of 1971 is further amended by inserting, after section 5.17, as so redesignated by section 201 of this title, the following: *Ante,* p. 1690.

"SEC. 5.18. PRIOR DELEGATIONS.—Any delegations by the Farm Credit Administration and redelegations thereof made in accordance with section 5.19 of the Farm Credit Act of 1971 as in effect prior to the effective date of the Farm Credit Amendments Act of 1985 may continue in full force and effect, at the discretion of the Farm Credit Administration, for the period ending twelve months after the date of enactment of such Act.". Effective date. 12 USC 2253.

FARM CREDIT ADMINISTRATION EXAMINATIONS; CONFORMING AMENDMENT

SEC. 203. (a) Section 5.20 of the Farm Credit Act of 1971 is redesignated as section 5.19 and amended to read as follows: 12 USC 2254.

"SEC. 5.19. EXAMINATIONS.—(a) Each institution of the System shall be examined by Farm Credit Administration examiners at such times as the Chairman of the Board may determine, but in no event less than once each year. Such examinations shall include, but are not limited to, an analysis of credit and collateral quality and capitalization of the institution, and appraisals of the effectiveness of the institution's management and application of policies governing the carrying out of this Act and regulations of the Farm Credit Administration and servicing all eligible borrowers. At the direction of the Chairman of the Board, Farm Credit Administration examiners also shall make examinations of the condition of any organization, other than federally regulated financial institutions, to, for, or with which any institution of the System contemplates making a loan or discounting paper. For the purposes of this Act, examiners of the Farm Credit Administration shall be subject to the same requirements, responsibilities, and penalties as are applicable to examiners under the National Bank Act, the Federal Reserve Act, and Federal Deposit Insurance Act, and other provisions of law and shall have the same powers and privileges as are vested in such examiners by law. 12 USC 38 and note; 226 and note. 12 USC 1811 note.

"(b) Each institution of the System shall make and publish an annual report of condition as prescribed by the Farm Credit Administration. Each such report shall contain financial statements prepared in accordance with generally accepted accounting principles and contain such additional information as the Farm Credit Administration by regulation may require. Such financial statements of System institutions shall be audited by an independent public accountant. Report.

Report.

"(c) The Farm Credit Administration may publish the report of examination of any System institution that does not, before the end of the 120th day after the date of notification of the recommendations and suggestions of the Farm Credit Administration, based on such examination, comply with such recommendations and suggestions to the satisfaction of the Farm Credit Administration. The Farm Credit Administration shall give notice of intention to publish in the event of such noncompliance at least 90 days before such publication. Such notice of intention may be given any time after such notification of recommendations and suggestions.".

12 USC 2255-2259.

(b) Sections 5.21, 5.22, 5.23, 5.24, and 5.25 of the Farm Credit Act of 1971 are redesignated as sections 5.20, 5.21, 5.22, 5.23, and 5.24, respectively.

ENFORCEMENT POWERS

Supra.

SEC. 204. Title V of the Farm Credit Act of 1971 is amended by inserting after section 5.24, as so redesignated by section 203(b), the following:

"PART C—ENFORCEMENT POWERS OF FARM CREDIT ADMINISTRATION

12 USC 2261.

"SEC. 5.25. CEASE AND DESIST PROCEEDINGS.—(a) If, in the opinion of the Farm Credit Administration, any institution in the Farm Credit System, or any director, officer, employee, agent, or other person participating in the conduct of the affairs of such an institution is engaging or has engaged, or the Farm Credit Administration has reasonable cause to believe that the institution or any director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution is about to engage, in an unsafe or unsound practice in conducting the business of such institution, or is violating or has violated, or the Farm Credit Administration has reasonable cause to believe that the institution or any director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution is about to violate, a law, rule, or regulation, or any condition imposed in writing by the Farm Credit Administration in connection with the granting of any application or other request by the institution or any written agreement entered into with the Farm Credit Administration, the Farm Credit Administration may issue and serve upon the institution or such director, officer, employee, agent, or other person a notice of charges in respect thereof. The notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should issue against the institution or the director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the Farm Credit Administration at the request of any party so served. Unless the party or parties so served shall appear at the hearing personally or by a duly authorized representative, they shall be deemed to have consented to the issuance of the cease and desist order. In the event of such consent, or if upon the record made at any such hearing, the Farm Credit Administration shall find that any violation or unsafe or unsound practice specified in the notice of charges has been established, the Farm Credit Administration may

issue and serve upon the institution or the director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution an order to cease and desist from any such violation or practice. Such order may, by provisions that may be mandatory or otherwise, require the institution or its directors, officers, employees, agents, and other persons participating in the conduct of the affairs of such institution to cease and desist from the same, and, further, to take affirmative action to correct the conditions resulting from any such violation or practice.

"(b) A cease and desist order shall become effective at the expiration of thirty days after the service of such order upon the institution or other person concerned (except in the case of a cease and desist order issued upon consent, which shall become effective at the time specified therein), and shall remain effective and enforceable as provided therein except to such extent as it is stayed, modified, terminated, or set aside by action of the Farm Credit Administration or a reviewing court. Effective date.

"SEC. 5.26. TEMPORARY CEASE AND DESIST ORDERS.—(a) Whenever the Farm Credit Administration shall determine that the violation or threatened violation or the unsafe or unsound practice or practices, specified in the notice of charges served upon the institution or any director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution under section 5.25, or the continuation thereof, is likely to cause insolvency or substantial dissipation of assets or earnings of the institution, or is likely to seriously weaken the condition of the institution or otherwise seriously prejudice the interests of the investors in Farm Credit System obligations or shareholders in the institution prior to the completion of the proceedings conducted under section 5.25, the Farm Credit Administration may issue a temporary order requiring the institution or such director, officer, employee, agent, or other person to cease and desist from any such violation or practice and to take affirmative action to prevent such insolvency, dissipation, condition, or prejudice pending completion of such proceedings. Such order shall become effective upon service upon the institution or such director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution and, unless set aside, limited, or suspended by a court in proceedings authorized by subsection (b), shall remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until such time as the Farm Credit Administration shall dismiss the charges specified in such notice, or if a cease and desist order is issued against the institution or such director, officer, employee, agent, or other person, until effective date of such order. 12 USC 2262. *Ante*, p. 1694.

"(b) Within ten days after the institution concerned or any director, officer, employee, agent, or other person participating in the conduct of the affairs of such institution has been served with a temporary cease and desist order, the institution or such director, officer, employee, agent, or other person may apply to the United States district court for the judicial district in which the home office of the institution is located, or the United States district court for the District of Columbia, for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of such order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the institution or such director, officer, employee, agent, or other person under section 5.25, and such court shall have jurisdiction to issue such injunction.

12 USC 2263.

"SEC. 5.27. ENFORCEMENT OF TEMPORARY CEASE AND DESIST ORDERS.—In the case of violation or threatened violation of, or failure to obey, a temporary cease and desist order issued under section 5.26, the Farm Credit Administration may apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the institution is located, for an injunction to enforce such order, and, if the court shall determine that there has been such violation or threatened violation or failure to obey, it shall be the duty of the court to issue such injunction.

Ante, p. 1695.

Crimes and misdemeanors.
12 USC 2264.

"SEC. 5.28. SUSPENSION OR REMOVAL OF DIRECTOR OR OFFICER.—Whenever, in the opinion of the Farm Credit Administration, any director or officer of any institution in the Farm Credit System has committed any violation of law, rule, or regulation or of a cease and desist order that has become final, or has engaged or participated in any unsafe or unsound practice in connection with the institution, or has committed or engaged in any act, omission, or practice which constitutes a breach of a fiduciary duty as such director or officer, and the Farm Credit Administration determines that the institution has suffered or will probably suffer substantial financial loss or other damage or that the interests of its shareholders or investors in Farm Credit System obligations could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty, or that the director or officer has received financial gain by reason of such violation or practice or breach of fiduciary duty, and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director or officer, or one that demonstrates a willful or continuing disregard for the safety or soundness of the System institution, the Farm Credit Administration may serve upon such director or officer a written notice of its intention to remove him from office.

"(b) Whenever, in the opinion of the Farm Credit Administration, any director or officer of an institution in the Farm Credit System, by conduct or practice with respect to another institution in the Farm Credit System or other business institution that resulted in substantial financial loss or other damage, has evidenced either his personal dishonesty or a willful or continuing disregard for its safety and soundness and, in addition, has evidenced his unfitness to continue as a director or officer, and whenever, in the opinion of the Farm Credit Administration, any other person participating in the conduct of the affairs of an institution in the Farm Credit System, by the conduct or practice with respect to such institution or other institution in the Farm Credit System or other business institution that resulted in substantial financial loss or other damage, has evidenced either personal dishonesty or a willful or continuing disregard for its safety and soundness and, in addition, has evidenced his unfitness to participate in the conduct of the affairs of such institution, the Farm Credit Administration may serve upon such director, officer, or other person a written notice of its intention to remove that director, officer, or other person from office or to prohibit his further participation in any manner in the conduct of the affairs of the institution.

"(c) In respect to any director or officer of an institution in the Farm Credit System or any other person referred to in subsection (a) or (b) of this section, the Farm Credit Administration may, if it deems it necessary for the protection of the institution or the interests of its shareholders and the investors in the Farm Credit

System obligations, by written notice to such effect served upon such director, officer, or other person, suspend such director, officer, or other person from office or prohibit such director, officer, or other person from further participation in any manner in the conduct of the affairs of the institution. Such suspension or prohibition shall become effective upon service of such notice and, unless stayed by a court in proceedings authorized by subsection (e) of this section, shall remain in effect pending the completion of the administrative proceedings pursuant to the notice served under subsection (a) or (b) and until such time as the Farm Credit Administration shall dismiss the charges specified in such notice, or, if an order of removal or prohibition is issued against the director or officer or other person, until the effective date of any such order. Copies of any such notice shall also be served upon the institution of which the person is a director or officer or in the conduct of whose affairs the person has participated.

"(d) A notice of intention to remove a director, officer, or other person from office or to prohibit such director's, officer's, or other person's participation in the conduct of the affairs of an institution in the Farm Credit System, shall contain a statement of the facts constituting grounds therefor, and shall fix a time and place at which a hearing will be held thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after the date of service of such notice, unless an earlier or a later date is set by the Farm Credit Administration at the request of (1) such director or officer or other person, and for good cause shown, or (2) the Attorney General of the United States. Unless such director, officer, or other person shall appear at the hearing in person or by a duly authorized representative, such director, officer, or other person shall be deemed to have consented to the issuance of an order of such removal or prohibition. In the event of such consent, or if upon the record made at any such hearing the Farm Credit Administration shall find that any of the grounds specified in such notice have been established, the Farm Credit Administration may issue such orders of suspension or removal from office, or prohibition from participation in the conduct of the affairs of the institution, as it may deem appropriate. A copy of an order issued under this subsection shall be served upon the institution concerned. Any such order shall become effective at the expiration of thirty days after service upon such institution and the director, officer, or other person concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the agency or a reviewing court.

"(e) Within ten days after any director, officer, or other person has been suspended from office or prohibited from participation in the conduct of the affairs of a System institution under subsection (d)(3) of this section, such director, officer, or other person may apply to the United States district court for the judicial district in which the home office of the institution is located, or the United States district court for the District of Columbia, for a stay of either such suspension or prohibition, or both, pending the completion of the administrative proceedings pursuant to the notice served upon such director, officer, or other person under subsection (a) or (b), and such court shall have jurisdiction to stay either such suspension or prohibition, or both.

12 USC 2265.

"SEC. 5.29. SUSPENSION OR REMOVAL OF DIRECTOR OR OFFICER CHARGED WITH FELONY.—(a) Whenever any director or officer of an institution in the Farm Credit System, or other person participating in the conduct of the affairs of such institution, is charged in any information, indictment, or complaint authorized by a United States attorney, with the commission of or participation in a crime involving dishonesty or breach of trust that is punishable by imprisonment for a term exceeding one year under State or Federal law, the Farm Credit Administration may, if continued service or participation by the individual may pose a threat to the interest of the institution's shareholders or the investors in the Farm Credit System obligations or may threaten to impair public confidence in the institution or Farm Credit System, by written notice served upon such director, officer, or other person, suspend such director, officer, or other person from office or prohibit such director, officer, or other person from further participation in any manner in the conduct of the affairs of the institution. A copy of such notice shall also be served upon the institution. Such suspension or prohibition shall remain in effect until such information, indictment, or complaint is finally disposed of or until terminated by the Farm Credit Administration. In the event that a judgment of conviction with respect to such crime is entered against such director, officer, or other person, and at such time as such judgment is not subject to further appellate review, the Farm Credit Administration may, if continued service or participation by the individual may pose a threat to the interests of the institution's shareholders or the investors in Farm Credit System obligations or may threaten to impair public confidence in the institution or the Farm Credit System, issue and serve upon such director, officer, or other person an order removing such director, officer, or other person from office or prohibiting such director, officer, or other person from further participation in any manner in the conduct of the affairs of the institution except with the consent of the Farm Credit Administration. A copy of such order shall also be served upon such institution, whereupon such director or officer shall cease to be a director or officer of such institution. A finding of not guilty or other disposition of the charge shall not preclude the Farm Credit Administration from thereafter instituting proceedings to remove such director, officer, or other person from office or to prohibit further participation in Farm Credit System affairs under section 5.28. Any notice of suspension or order of removal issued under this paragraph shall remain effective and outstanding until the completion of any hearing or appeal authorized under subsection (b) unless terminated by the Farm Credit Administration.

Ante, p. 1696.

"(b) Within thirty days from service of any notice of suspension or order of removal issued under subsection (a), the director, officer, or other person concerned may request in writing an opportunity to appear before the Farm Credit Administration to show that the continued service to or participation in the conduct of the affairs of the institution by such individual does not, or is not likely to, pose a threat to the interest in Farm Credit System obligations. Upon receipt of any such request, the Farm Credit Administration shall fix a time (not more than thirty days after receipt of such request, unless extended at the request of the concerned director, officer, or other person) and place at which the director, officer, or other person may appear, personally or through counsel, before the Chairman of the Farm Credit Administration or designated employees of

the Farm Credit Administration to submit written materials (or, at the discretion of the Farm Credit Administration, oral testimony) and oral argument. Within sixty days of such hearing, the Farm Credit Administration shall notify the director, officer, or other person whether the suspension or prohibition from participation in any manner in the conduct of the affairs of the institution will be continued, terminated, or otherwise modified, or whether the order removing such director, officer, or other person from office or prohibiting such individual from further participation in any manner in the conduct of the affairs of the institution will be rescinded or otherwise modified. Such notification shall contain a statement of the basis for the Farm Credit Administration's decision, if adverse to the director, officer, or other person. The Farm Credit Administration may prescribe such rules as may be necessary to effectuate the purposes of this subsection.

"SEC. 5.30. HEARINGS AND JUDICIAL REVIEW.—(a) Any hearing provided for in this part (other than the hearing provided for in section 5.29) shall be held in the Federal judicial district or in the territory in which the home office of the institution is located unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of chapter 5 of title 5 of the United States Code. Such hearing shall be private, unless the Farm Credit Administration, in its discretion, after fully considering the views of the party afforded the hearing, determines that a public hearing is necessary to protect the public interest. After such hearing, and within ninety days after the Farm Credit Administration has notified the parties that the case has been submitted to it for final decision, it shall render its decision (which shall include findings of fact upon which its decision is predicated) and shall issue and serve upon each party to the proceeding an order or orders consistent with the provisions of this part. Judicial review of any such order shall be exclusively as provided in this subsection (g). Unless a petition for review is timely filed in a court of appeals of the United States, as hereinafter provided in subsection (b), and thereafter until the record in the proceeding has been filed as so provided, the Farm Credit Administration may at any time, upon such notice and in such manner as it shall deem proper, modify, terminate, or set aside any such order. Upon such filing of the record, the Farm Credit Administration may modify, terminate, or set aside any such order with permission of the court.

12 USC 2266.

Ante, p. 1698.

5 USC 500 *et seq.*

"(b) Any party to the proceeding, or any person required by an order issued under this part to cease and desist from any of the violations or practices stated therein, may obtain a review of any order served under subsection (a) (other than an order issued with the consent of the System institution or the director or officer or other person concerned, or an order issued under section 5.29) by the filing in the court of appeals of the United States for the circuit in which the home office of the institution is located, or in the United States Court of Appeals for the District of Columbia Circuit, within thirty days after the date of service of such order, a written petition praying that the order of the Farm Credit Administration be modified, terminated, or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Farm Credit Administration, and thereupon the Farm Credit Administration shall file in the court the record in the proceeding, as provided in section 2112 of title 28 of the United States Code. Upon the filing of such petition, such court shall have jurisdiction, which upon the

Record.

filing of the record shall except as provided in the last sentence of subsection (a) be exclusive, to affirm, modify, terminate, or set aside, in whole or in part, the order of the Farm Credit Administration. Review of such proceedings shall be had as provided in chapter 7 of title 5 of the United States Code. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 1254 of title 28 of the United States Code.

5 USC 701 *et seq.*

"(c) The commencement of proceedings for judicial review under subsection (b) shall not, unless specifically ordered by the court, operate as a stay of any order issued by the Farm Credit Administration.

Prohibition.

12 USC 2267.

"SEC. 5.31. JURISDICTION AND ENFORCEMENT.—The Farm Credit Administration may in its discretion apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the institution is located, for the enforcement of any effective and outstanding notice or order issued under this part, and such courts shall have jurisdiction and power to order and require compliance herewith; but except as otherwise provided in this part no court shall have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this part, or to review, modify, suspend, terminate, or set aside any such notice or order.

Prohibition.

12 USC 2268.

"SEC. 5.32. PENALTY.—(a) Any institution in the System that violates or any officer, director, employee, agent, or other person participating in the conduct of the affairs of such an institution who violates the terms of any order that has become final and was issued under section 5.25 or 5.26 of this Act, shall forfeit and pay a civil penalty of not more than $1,000 per day for each day during which such violation continues, but the Farm Credit Administration may, in its discretion, compromise, modify, or remit any civil money penalty that is subject to imposition or has been imposed under such authority. The penalty may be assessed and collected by the Farm Credit Administration by written notice.

Ante, pp. 1694, 1695.

"(b) In determining the amount of the penalty, the Farm Credit Administration shall take into account the appropriateness of the penalty with respect to the size of financial resources and good faith of the System institution or person charged, the gravity of the violation, the history of previous violations, and such other matters as justice may require.

"(c) The System institution or person assessed shall be afforded an opportunity for a hearing by the Farm Credit Administration, upon request made within ten days after issuance of the notice of assessment. In such hearing all issues shall be determined on the record pursuant to section 554 of title 5 of the United States Code. The Farm Credit Administration determination shall be made by final order which may be reviewed only as provided in subsection (d). If no hearing is requested as herein provided, the assessment shall constitute a final and unappealable order.

"(d) Any System institution or person against whom an order imposing a civil money penalty has been entered after a Farm Credit Administration hearing under this section may obtain review by the United States court of appeals for the circuit in which the home office of the System institution is located, or the United States Court of Appeals for the District of Columbia Circuit, by filing a notice of appeal in such court within twenty days after the service of such order, and simultaneously sending a copy of such notice by

registered or certified mail to the Farm Credit Administration. The Farm Credit Administration shall promptly certify and file in such Court the record upon which the penalty was imposed, as provided in section 2112 of title 28 of the United States Code. The findings of the Farm Credit Administration shall be set aside if found to be unsupported by substantial evidence as provided by section 706(2)(E) of title 5 of the United States Code.

"(e) If any System institution or person fails to pay an assessment after it has become a final and unappealable order, or after the court of appeals has entered final judgment in favor of the Farm Credit Administration, the Farm Credit Administration shall refer the matter to the Attorney General, who shall recover the amount assessed by action in the appropriate United States district court. In such action, the validity and appropriateness of the final order imposing the penalty shall not be subject to review.

"(f) The Farm Credit Administration shall promulgate regulations establishing procedures necessary to implement sections 5.31 and 5.32. Regulations. *Ante*, p. 1700.

"(g) All penalties collected under authority of this section shall be covered into the Treasury of the United States.

"SEC. 5.33. FURTHER PENALTIES.—Any director or officer, or former director or officer of a System institution, or any other person, against whom there is outstanding and effective any notice or order (which is an order which has become final) served upon such director, officer, or other person under section 5.28 or 5.29 of this Act, and who (1) participates in any manner in the conduct of the affairs of the institution involved, or directly or indirectly solicits or procures, or transfers or attempts to transfer, or votes or attempts to vote, any proxies, consents, or authorizations in respect of any voting rights in such institution, or (2) without the prior written approval of the Farm Credit Administration, votes for a director, serves or acts as a director, officer, or employee of any System institution, shall upon conviction be fined not more than $5,000 or imprisoned for not more than one year, or both. 12 USC 2269. *Ante*, pp. 1696, 1698.

"SEC. 5.34. REPLACEMENT OF SUSPENDED OR REMOVED DIRECTORS.—If at any time, because of the suspension or removal of one or more directors pursuant to section 5.28 or 5.29 of this Act, there shall be on the board of directors of a System institution less than a quorum of directors not so suspended, the Chairman shall appoint persons to serve temporarily as directors in their place and stead so as to establish a quorum until such time as those who have been removed are reinstated or their respective successors are duly elected and take office. 12 USC 2270.

"SEC. 5.35. DEFINITIONS.—As used in this part— 12 USC 2271.

"(1) the terms 'cease and desist order that has become final' and 'order which has become final' mean a cease and desist order, or an order, issued by the Farm Credit Administration with the consent of the System institution or the director or officer or other person concerned, or with respect to which no petition for review of the action of the Farm Credit Administration has been filed and perfected in a court of appeals as specified in section 5.30(b) of this Act, or with respect to which the action of the court in which such petition is so filed is not subject to further review by the Supreme Court of the United States in proceedings provided for in section 5.30(b) of this Act, or an order issued under section 5.29 of this Act; *Ante*, p. 1699.

"(2) the term 'violation' includes without limitation any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation;

"(3) the terms 'institution in the System', 'System institution', and 'institution' mean all institutions enumerated in section 1.2 of this Act, any service organization chartered under part D of title IV of this Act, and the Capital Corporation; and

Post, p. 1703.
12 USC 2211.

"(4) the term 'unsafe or unsound practice' shall have the meaning given to it by the Farm Credit Administration by regulations, rule, or order.

12 USC 2272.

"SEC. 5.36. NOTICE OF SERVICE.—Any service required or authorized to be made by the Farm Credit Administration under this section may be made by registered mail, or in such other manner reasonably calculated to give actual notice as the Farm Credit Administration may by regulation or otherwise provide. Any such service by mail is complete upon mailing. Copies of any notice or order served by the Farm Credit Administration on any association or any director or officer thereof or other person participating in the conduct of its affairs, under the provisions of this part, shall also be sent to the supervisory bank.

Crimes and misdemeanors.
12 USC 2273.

"SEC. 5.37. ANCILLARY PROVISIONS; SUBPENA POWER; ETC.—In the course of or in connection with any proceeding under this part or any examination or investigation under this Act, the Farm Credit Administration or any designated representative thereof, including any person designated to conduct any hearing under this part, shall have the power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpenas and subpenas duces tecum; and the Farm Credit Administration is empowered to make rules and regulations with respect to any such proceedings, claims, examinations, or investigations. The attendance of witnesses and the production of documents provided for in this section may be required from any place in any State or in any territory or other place subject to the jurisdiction of the United States at any designated place where such proceeding is being conducted. The Farm Credit Administration or any party to proceedings under this part may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum issued pursuant to this part, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. Any court having jurisdiction of any proceeding instituted under this part by a System institution or a director or officer thereof, may allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper; and such expenses and fees shall be paid by the System institution or from its assets. Any person who willfully shall fail or refuse to attend or testify or to answer any lawful inquiry or to produce books, papers, correspondence, memoranda, contracts, agreements, or other records, if in such person's power so to do, in obedience to the subpena of the Farm Credit Administration, shall be guilty of a misdemeanor and, upon conviction, shall be subject to a fine of not

more than $1,000 or to imprisonment for a term of not more than one year or both.".

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 205. (a)(1) Title V of the Farm Credit Act of 1971 is further amended by inserting after section 5.37, as added by section 204, the following heading: *Ante*, p. 1702.

"PART D—MISCELLANEOUS".

(2) Sections 5.26, 5.27, 5.28, 5.29, and 5.30 of the Farm Credit Act of 1971 are redesignated as sections 5.40, 5.41, 5.42, 5.43, and 5.44, respectively. 5 USC 5314, 5315. 12 USC 393, 2001 notes, 2260, 2275.

(b) Section 2.15 of the Farm Credit Act of 1971 is amended by— 12 USC 2096.

(1) in the first sentence of subsection (a)—

(A) striking out "rules and regulations" and inserting in lieu thereof "standards"; and

(B) striking out "and approved by the Farm Credit Administration";

(2) in the first sentence of subsection (b)—

(A) striking out "regulations" and inserting in lieu thereof "standards"; and

(B) striking out "with the approval of the Farm Credit Administration as provided in" and inserting in lieu thereof "subject to the provisions of"; and

(3) in the last sentence of subsection (b)—

(A) striking out "regulations" and inserting in lieu thereof "standards"; and

(B) striking out "or of Farm Credit Administration".

(c) Section 1.2 of the Farm Credit Act of 1971 is amended by striking out "supervision of" and inserting "regulation by" in lieu thereof. 12 USC 2002.

(d) Title I of the Farm Credit Act of 1971 is amended by—

(1) in section 1.4— 12 USC 2012.

(A) striking out "supervision" in the matter preceding paragraph (1) and inserting in lieu thereof "regulation";

(B) in paragraph (17), striking out "vested in or delegated to the bank";

(C) striking out paragraph (19); and

(D) redesignating paragraphs (20), (21), (22), and (23) as paragraphs (19), (20), (21), and (22), respectively;

(2) in section 1.5(d), striking out "to the Governor of the Farm Credit Administration,"; 12 USC 2013.

(3) in section 1.5(e)—

(A) striking out the first sentence; and

(B) striking out "other" in the second sentence;

(4) in section 1.13— 12 USC 2031.

(A) striking out "GOVERNOR" in the section heading and inserting in lieu thereof "FARM CREDIT ADMINISTRATION";

(B) striking out "the Governor of" in the seventh sentence;

(C) striking out "Governor" each place that word appears in the eighth, ninth, and tenth sentences and inserting in lieu thereof "Farm Credit Administration"; and

(D) striking out "him" and "he" in the tenth sentence and inserting in lieu thereof, in both instances, "the Farm Credit Administration";

12 USC 2033.

(5) in section 1.15—

(A) inserting "the regulation" before "of the Farm Credit Administration" in the matter preceding paragraph (1); and

(B) striking out "or delegated to" in paragraph (12);

12 USC 2051.

(6) in section 1.17(b)—

(A) striking out paragraph (2); and

(B) redesignating paragraph (3) as paragraph (2); and

12 USC 2054.

(7) in section 1.20, striking out "the Governor of the Farm Credit Administration".

(e) Title II of the Farm Credit Act of 1971 is amended by—

12 USC 2072.

(1) in section 2.1—

(A) striking out "supervision of" in the matter preceding paragraph (1) and inserting in lieu thereof "regulation by";

(B) striking out "vested in or delegated to the intermediate credit bank" in paragraph (14); and

(C) striking out paragraph (21);

12 USC 2073.

(2) in the first sentence of section 2.2(d), striking out "the Governor of the Farm Credit Administration, and may";

(3) in section 2.2(f)—

(A) striking out "Dividends" and all that follows through "noncumulative" and inserting "Noncumulative" in lieu thereof in the first sentence; and

(B) striking out ", when the Governor of the Farm Credit Administration holds no stock in the bank," in the second sentence;

(4) in section 2.2(g), striking out "After all stock held" and all that follows through "other stock" and inserting in lieu thereof "The bank may retire stock";

(5) in section 2.2(h), striking out "Governor" and inserting in lieu thereof "Farm Credit Administration";

12 USC 2074.

(6) in the first sentence of section 2.3(c)—

(A) striking out "(a)(1) and (2)" and inserting in lieu thereof "(a)(2)"; and

(B) striking out "(in the case of financing institutions under subsection (a)(2) of this section)";

12 USC 2077.

(7) striking out subsections (a) and (b) of section 2.6;

(8) in section 2.6(c), by striking out "If, at" and all that follows through "the net earnings of such bank" and inserting in lieu thereof "At the end of each fiscal year, the net earnings of each Federal intermediate credit bank";

12 USC 2078.

(9) in the first sentence of section 2.7, striking out ", of all the stock held by the Governor of the Farm Credit Administration at par; third";

12 USC 2091.

(10) in section 2.10—

(A) striking out "the Governor of" in the sixth sentence;

(B) striking out "Governor" in the seventh sentence and inserting in lieu thereof "Farm Credit Administration";

(C) striking out "Governor" in the eighth sentence and inserting in lieu thereof "Farm Credit Administration"; and

(D) in the ninth sentence—

(i) striking out "Governor" and inserting in lieu thereof "Farm Credit Administration"; and

(ii) striking out "him" and "he" and inserting in lieu thereof in both places "Farm Credit Administration";

12 USC 2093.

(11) in section 2.12—

(A) in the matter preceding paragraph (1), inserting "regulation by" before "the Farm Credit Administration"; and

(B) striking out "or the Farm Credit Administration" in paragraph (19);

(12) in section 2.13(c), striking out "the Governor of the Farm Credit Administration and"; 12 USC 2094.

(13) in section 2.13(d)—

(A) striking out "to the Governor and"; and

(B) striking out ", except that all" and all that follows through "voting hereunder".

(14) in section 2.13(j), striking out "the Governor or";

(15) in section 2.14(b), striking out ", except that when the Governor" and all that follows through "Administration"; and 12 USC 2095.

(16) striking out the last two sentences of section 2.17. 12 USC 2098.

(e) Title III of the Farm Credit Act of 1971 is amended by—

(1) in section 3.1— 12 USC 2122.

(A) in the matter preceding paragraph (1), striking out "supervision" and inserting in lieu thereof "regulation";

(B) in paragraph (13)(A), inserting "under regulations issued" after "authorized";

(C) striking out paragraph (16); and

(D) redesignating paragraphs (17), (18), and (19) as paragraphs (16), (17), and (18), respectively;

(2) in section 3.2(a), striking out "Governor with the advice and consent of the Federal Farm Credit Board"; and inserting in lieu thereof "Farm Credit Administration"; 12 USC 2123.

(3) in section 3.3(d), inserting "under regulations issued by" after "authorized"; 12 USC 2124.

(4) in section 3.3(e), striking out ", except for stock held by the Governor,".

(5) in section 3.4, striking out "the Governor of"; 12 USC 2125.

(6) in section 3.5— 12 USC 2126.

(A) striking out the first sentence and all that follows through "nonvoting" in the second sentence and inserting "Nonvoting" in lieu thereof; and

(B) in the fourth sentence, striking out "When the requirements of section 4.0(b) have been met, voting" inserting in lieu thereof "Voting"; *Ante*, p. 1678.

(7) striking out subsection (a) of section 3.11; 12 USC 2132.

(8) in section 3.11—

(A) in subsection (b), striking out "Whenever" and all that follows through "Administration, the net" and inserting in lieu thereof "At the end of each fiscal year, the net"; and

(B)(i) in subsection (c), striking out "subsection (a) or (b)" and inserting "subsection (b)" in lieu thereof; and

(ii) in subsection (d), striking out "subsection (a) or (b)" and inserting "subsection (b)" in lieu thereof;

(9) in section 3.12— 12 USC 2133.

(A) striking out ", any stock held by the Governor of the Farm Credit Administration at par"; and

(B) striking out "stock held by the Governor of the Farm Credit Administration,"; and

(10) striking out the last two sentences of section 3.13. 12 USC 2134.

(f) Title IV of the Farm Credit Act of 1971 is further amended by—

(1) in section 4.2— 12 USC 2153.

(A) in the matter preceding subsection (a), striking out "supervision of" and inserting in lieu thereof "regulation by";

(B) in subsection (b)—

(i) striking out "4.3(b)" and inserting in lieu thereof "4.3(c)"; and

(ii) striking out "Governor" and inserting in lieu thereof "Farm Credit Administration";

(C) in subsection (c), striking out "Governor" and inserting in lieu thereof "Farm Credit Administration"; and

(D) in subsection (d)—

(i) striking out "Governor" in the first sentence and inserting in lieu thereof "Farm Credit Administration"; and

(ii) in the second sentence, striking out "Governor" each place it appears and inserting in lieu thereof "Farm Credit Administration";

Ante, p. 1679. (2) in section 4.4(b)—

(A) striking out "Governor to execute" in the first sentence and inserting in lieu thereof "execution of"; and

(B) striking out "by the Governor" in the second sentence;

12 USC 2156. (3) in section 4.5, striking out "Governor" in the fourth sentence and inserting in lieu thereof "Farm Credit Administration";

12 USC 2182. (4) in the second sentence of section 4.11, striking out "Governor with the advice and consent of the Federal Farm Credit Board" and inserting in lieu thereof "Farm Credit Administration";

12 USC 2183. (5) in section 4.12(a), striking out "Federal Farm Credit Board" in the third sentence and inserting in lieu thereof "Farm Credit Administration";

12 USC 2205. (6) in the first sentence of section 4.17, inserting ", as provided in section 5.17(a)(5) of this Act," after "with the approval of";

12 USC 2206. (7) in section 4.18, inserting "under regulations issued" after "authorized";

12 USC 2211. (8) in section 4.25—

(A) striking out "the Governor of" in the second sentence;

(B) striking out "Governor" in the third sentence and inserting in lieu thereof "Farm Credit Administration"; and

(C) striking out "Governor" in the fourth sentence and inserting in lieu thereof "Farm Credit Administration";

12 USC 2212. (9) in section 4.26—

(A) striking out "GOVERNOR" in the section heading and inserting in lieu thereof "FARM CREDIT ADMINISTRATION";

(B) striking out "Governor" wherever that word appears in the text and inserting in lieu thereof "Farm Credit Administration";

(C) striking out "he" in the first sentence and inserting in lieu thereof "the Farm Credit Administration"; and

12 USC 2213. (10) in section 4.27, striking out "supervision" and inserting in lieu thereof "regulation".

(g) Title V of the Farm Credit Act of 1971 is further amended by—

12 USC 2221. (1) in section 5.0—

(A) striking out "Federal Farm Credit Board" in the first and second sentences and inserting in lieu thereof "Farm Credit Administration"; and

(B) striking out "5.18(2)" in the third sentence and inserting in lieu thereof "5.17(2)";

(2) in section 5.1(b), striking out "Federal Farm Credit Board" and inserting in lieu thereof "Farm Credit Administration Board"; 12 USC 2222.

(3) in section 5.2(a), striking out "Governor with the advice and consent of the Federal Farm Credit Board" and inserting in lieu thereof "Farm Credit Administration Board"; 12 USC 2223.

(4) in section 5.2(d), striking out "sections 5.1 and 5.2" and inserting in lieu thereof "section 5.1 and this section";

(5) in section 5.6(a), striking out "supervision of" in paragraph (5) and inserting in lieu thereof "regulation by"; and 12 USC 2227.

(6) in section 5.15(b), as so redesignated by section 201(5)— *Ante*, p. 1690.

(A) striking out "said Administration" both places that phrase appears in the first sentence and inserting in lieu thereof "the Farm Credit Administration"; and 12 USC 2250.

(B) striking out "the Administration" and "such Administration" in the second sentence and inserting in lieu thereof "the Farm Credit Administration".

TITLE III—PROTECTION FOR FARMERS AND OTHER FARM CREDIT SYSTEM BORROWERS

DISCLOSURE AND ACCESS TO INFORMATION

SEC. 301. (a) Section 4.13 of the Farm Credit Act of 1971 is redesignated as section 4.13B. 12 USC 2201.

(b) The Farm Credit Act of 1971 is amended by inserting before section 4.13B, as so redesignated by subsection (a), the following: 12 USC 2001 note.

"SEC. 4.13. DISCLOSURE.—(a) In accordance with regulations of the Farm Credit Administration, System institutions shall provide to their borrowers, for all loans that are not subject to the Truth in Lending Act (15 U.S.C. 1601 et seq.), meaningful and timely disclosure of the following: 12 USC 2199.

"(1) the current rate of interest on the loan;

"(2) in the case of an adjustable or variable rate loan, the amount and frequency by which the interest rate can be increased during the term of the loan or, if there are no such limitations, a statement to that effect, and the factors (including, but not limited to, the cost of funds, operating expenses, and provision for loan losses) that will be taken into account by the lending institution in determining adjustments to the interest rate;

"(3) the effect, as shown by a representative example or examples, of the required purchase of stock or participation certificates in the institution on the effective rate of interest; and

"(4) any change in the interest rate applicable to the borrower's loan.

"(b) In accordance with regulations of the Farm Credit Administration, System institutions shall develop a policy governing forbearance. Each System institution shall provide borrowers with a copy of the institution's policy regarding forbearance at such time or times as the Farm Credit Administration shall prescribe in such regulations.

"SEC. 4.13A. ACCESS TO DOCUMENTS AND INFORMATION.—In accordance with regulations of the Farm Credit Administration, System 12 USC 2200.

institutions shall provide their borrowers, at the time of execution of loans, copies of all documents signed by the borrower and at any time thereafter, on a borrower's request, copies of all documents signed or delivered by the borrower and at any time, on request, a copy of the institution's articles of incorporation or charter and bylaws."

NOTICE ON APPLICATIONS

Ante, p. 1707.

SEC. 302. Section 4.13B of the Farm Credit Act of 1971, as so redesignated by section 301(a), is amended by (1) inserting "written" before "notice" and (2) inserting, before the period at the end thereof, the following: ", and of the applicant's right to review under section 4.14"

Infra.

RECONSIDERATION

SEC. 303. Section 4.14 of the Farm Credit Act of 1971 is amended to read as follows:

12 USC 2202.

"SEC. 4.14. RECONSIDERATION OF ACTION ON LOAN APPLICATION.—The board of directors of each Farm Credit System institution shall establish one or more credit review committee(s), which shall include farmer board respresentation. Any loan applicant who has

Ante, p. 1707.

received written notice, under section 4.13, of a decision to deny or reduce the loan applied for, if the applicant so requests in writing within thirty days after receiving such notice, may obtain a review of such decision in person before the credit review committee. When a loan applicant requests review of an adverse credit decision, a majority of persons serving on such reviews committee must be persons who were not involved in making the adverse decision. Promptly after any such review, the applicant shall be notified in writing of the credit review committee's decision and the reasons therefor."

NOTICE WITH RESPECT TO STOCKHOLDERS ON LOAN DEFAULT

SEC. 304. (a) The sixth sentence of section 1.16(a) of the Farm

12 USC 2034.

Credit Act of 1971 is amended by inserting, before the period at the end thereof, the following: "and on written notice to the stockholder"

12 USC 2094.

(b) Section 2.13(k) of the Farm Credit Act of 1971 is amended by inserting, before the period at the end thereof, the following: ", on written notice to the borrower and approval by the bank of such retirement"

MINIMIZING THE ADVERSE EFFECT ON BORROWERS OF SYSTEM INSTITUTION INSOLVENCY

Regulations.

Ante, p. 1679.

SEC. 305. (a) Section 4.12(a) of the Farm Credit Act of 1971 is amended by inserting, immediately after the first sentence, the following: "In the case of a voluntary liquidation of an association, such regulations, among other things, shall direct the supervising bank to institute such measures as it deems appropriate to minimize the adverse effect of the liquidation on those borrowers whose loans are purchased by or otherwise transferred to another System institution."

(b) Section 4.12 of the Farm Credit Act of 1971 is amended by inserting after the subsection (b) added by section 102, the following:

"(c) In the case of an involuntary liquidation of an association, regulations of the Farm Credit Administration, among other things, shall direct the supervising bank to institute such measures as it deems appropriate to minimize the adverse effect of the liquidation on those borrowers whose loans are purchased by or otherwise transferred to another System institution.". Regulations.

MINERAL RIGHTS LIMITATION

SEC. 306. The Farm Credit Act of 1971 is amended by adding at the end of title IV the following: Real property. Prohibitions.

"PART F—MISCELLANEOUS

"SEC. 4.35. LIMITATION ON SEPARATE SALE.—If real property is acquired by any institution of the Farm Credit System through foreclosure, no institution of the Farm Credit System shall sell the surface rights to that real property to any person unless the institution also sells all mineral rights to that real property to that person. 12 USC 2219.

"SEC. 4.36. LIMITATION ON SALE OF TRACTS OF REAL ESTATE.—No institution of the Farm Credit System shall sell any real property that previously served as security for a loan in a tract larger than a normal family size farm in the vicinity of the property for less than the amount it can receive from the Capital Corporation.". 12 USC 2219a.

LOAN REVIEW

SEC. 307. Each local lending institution of the Farm Credit System established under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) shall—

(1) review each loan that has been placed in non-accrual status by such institution to determine whether such loan may be restructured based on changes in the circumstances of such institution as the result of this Act and the amendments made by this Act; and

(2) notify in writing the borrower of each such loan of the provisions of this section.

TITLE IV—IMPLEMENTATION PROCEDURES

EFFECTIVE DATE

SEC. 401. The provisions of titles I, II, III, and VI of this Act shall become effective thirty days after enactment. *Ante*, pp. 1678, 1688, 1707; *Post*, p. 1711. 12 USC 2001 note.

INTERIM IMPLEMENTATION

SEC. 402. (a) Until the Chairman of the Farm Credit Administration Board provided for under the amendment made by section 201(1) of this Act is appointed by the President and confirmed by the Senate, the Governor of the Farm Credit Administration, under the Farm Credit Act of 1971 as in effect on the day before the date of enactment of this Act, shall perform the functions of the Chairman prescribed for the Chairman by this Act. 12 USC 2241 note. *Ante*, p. 1688. 12 USC 2001 note.

(b)(1) Except as provided in paragraph (2), until at least two members of the Farm Credit Administration Board provided under the amendment made by section 201(1) of this Act are appointed by the President and confirmed by the Senate, the Governor of the

12 USC 2001 note.

Farm Credit Administration, under the Farm Credit Act of 1971 as in effect on the day before the date of enactment of this Act, shall perform the functions of the Farm Credit Administration Board prescribed for such Board by this Act.

(2) When the Chairman of such Board is so appointed and confirmed, the Chairman shall assume any responsibilities and powers of the Board being exercised by the Governor under this subsection.

(c) In carrying out the duties and functions specified in subsections (a) and (b), the Governor of the Farm Credit Administration shall serve at the pleasure of the President.

Regulations.

(d) All regulations of the Farm Credit Administration or the institutions of the System, and all charters, bylaws, resolutions, stock classifications, and policy directives issued or approved by the Farm Credit Administration, and all elections held and appointments made under the Farm Credit Act of 1971, before the date of enactment of this Act, shall be continuing and remain valid until superseded, modified, or replaced under the authority of this Act.

SENSE OF CONGRESS

SEC. 403. It is the sense of Congress that the pressing needs of the Farm Credit System and the United States agricultural industry require the implementation of this Act as soon as practicable, and that the President should ensure that the members of the Farm Credit Administration Board constituted under section 201(1) are appointed not later than thirty days after enactment of this Act.

Ante, p. 1709.

TITLE V—NATIONAL COMMISSION ON AGRICULTURAL FINANCE

President of U.S. 12 USC 2001 note.

SEC. 501. (a) The President shall appoint a National Commission on Agricultural Finance. Such Commission shall be comprised of 15 members, of whom 7 shall be appointed by the President and 4 each by the Speaker of the House of Representatives and the President pro tempore of the Senate. The Commission shall consist of representatives of the financial community, the agricultural sector, and government.

Study.

(b) The National Commission on Agricultural Finance shall conduct a study of methods to ensure the availability of adequate credit to agricultural producers and agribusiness, taking into account the long-term financing needs of the agricultural economy; the roles of the commercial banks, the Farm Credit System, and the Farmers Home Administration in meeting those financial needs.

(c) In conducting such study, the National Commission on Agricultural Finance shall—

(1) evaluate the financial circumstances relative to both lenders and borrowers of farm credit;

(2) evaluate the structure, performance, and conduct of private lenders—commercial bankers and the Farm Credit System—and public lenders;

(3) explore the need for long-term assistance in stabilizing the value of agricultural assets; and

(4) evaluate the effect on suppliers, producers, processors, and local communities when financial institutions fail.

Report.

(d) Not later than one year after the date of enactment of this Act, the Commission shall submit a report containing the results of the study required by this section, together with comments and rec-

ommendations for legislation providing for a sound, reasonable, and primarily self-supporting credit program for farmers and ranchers as the Commission considers appropriate, to Congress.

(e) The Commission shall be comprised of volunteers and no Federal funds shall be expended by the Commission.

TITLE VI—MISCELLANEOUS AMENDMENTS

SEC. 601. Section 1.5 of the Farm Credit Act of 1971 is amended by adding at the end the following: 12 USC 2013.

"(h) Nothing in this section limits the power of the Farm Credit Administration to provide general direction to Federal land banks with regard to the payment of dividends and patronage refunds.".

SEC. 602. Subsection (a) of section 1.17 of the Farm Credit Act of 1971 is amended to read as follows: 12 USC 2051.

"(a) Federal land banks shall be required to carry a reserve account. Such reserve account shall be kept in accordance with standards set by the Farm Credit Administration.".

SEC. 603. Section 1.18 of the Farm Credit Act of 1971 is amended by— 12 USC 2052.

(1) amending subsection (a) to read as follows:

"(a) Federal land bank associations shall be required to carry a reserve account. Such reserve account shall be kept in accordance with standards set by the Farm Credit Administration."; and

(2) adding at the end of subsection (b) the following: "Nothing in this subsection limits the power of the Farm Credit Administration to provide general direction to Federal land bank associations with regard to the payment of dividends and patronage refunds.".

SEC. 604. Subsection (f) of section 2.2 of the Farm Credit Act of 1971 is amended by adding at the end thereof the following: "Federal intermediate credit banks shall be subject to the general direction of the Farm Credit Administration with regard to the payment dividends.". *Ante*, p. 1704. 12 USC 2073.

SEC. 605. Section 2.14 of the Farm Credit Act of 1971 is amended by— *Ante*, p. 1705. 12 USC 2095.

(1) striking out the parenthetical matter in subsection (a) and inserting in lieu thereof the following: "(including provision for valuation reserves against loan assets in an amount equal to one-half of 1 percent of the loans outstanding at the end of the fiscal year to the extent that such earnings in such year in excess of other operating expenses permit, or in such greater amounts as are deemed necessary under generally accepted accounting principles, until such reserves equal or exceed 3½ percent of the loans outstanding at the end of the fiscal year, beyond which 3½ percent further additions to such reserves may be made, if deemed necessary under generally accepted accounting principles)";

(2)(A) in the first sentence of subsection (b), striking out "so provide," and inserting in lieu thereof "so provide and subject to the general directions of the Farm Credit Administration,"; and

(B) in the second sentence of subsection (b), striking out "Any" and inserting in lieu thereof "In accordance with the foregoing, any".

SEC. 606. Section 3.4 of the Farm Credit Act of 1971 is amended by adding before the period at the end thereof the following: ", subject to the general direction of the Farm Credit Administration". *Ante*, p. 1705. 12 USC 2125.

Ante, p. 1707.

SEC. 607. Section 5.2 of the Farm Credit Act of 1971 (12 U.S.C. 2223) is amended—

(1) by striking out "; APPOINTMENT" in the caption;

(2) in subsection (a)—

(A) by designating the first and second sentences as paragraphs (1) and (2), respectively; and

(B) by amending paragraph (2) (as so designated) to read as follows:

"(2)(A) The seventh member shall be elected by the borrowers at large in a district.

"(B) For purposes of this section, the term 'borrowers at large in a district' means—

"(i) a voting shareholder of a Federal land bank association and a direct borrower, and a borrower through an agency, from a Federal land bank;

"(ii) a voting shareholder of a production credit association; and

"(iii) a voting shareholder or subscriber to the guaranty fund of a bank for cooperatives.";

(3) in the second sentence of subsection (b)—

(A) by striking out "and" before "in the case"; and

(B) by inserting before the period at the end thereof the following: "; and in the case of an election by the borrowers at large, such notice shall be sent to all borrowers at large in the district"; and

(4) by inserting after the fifth sentence of subsection (c) the following new sentence: "Each borrower at large shall be entitled to cast one vote.".

Approved December 23, 1985.

LEGISLATIVE HISTORY—S. 1884 (H.R. 3792):

CONGRESSIONAL RECORD, Vol. 131 (1985):
Dec. 3, considered and passed Senate.
Dec. 10, considered and passed House, amended.
Dec. 17, Senate concurred in House amendment with amendments.
Dec. 18, House concurred in Senate amendments.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 21, No. 52 (1985):
Dec. 23, Presidential statement.

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